

Decision 16-06-008 June 9, 2016

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Recovery of Costs to  
Implement Electric Rule 24 Direct  
Participation Demand Response (U39E).

And Related Matters.

Application 14-06-001  
(Filed June 2, 2014)

Application 14-06-002  
Application 14-06-003

**DECISION ADDRESSING BUDGETS FOR DAY-AHEAD, REAL-TIME, AND  
ANCILLARY SERVICES DURING THE INTERMEDIATE IMPLEMENTATION  
STEP OF THIRD-PARTY DEMAND RESPONSE DIRECT PARTICIPATION**

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**DECISION ADDRESSING BUDGETS FOR DAY-AHEAD, REAL-TIME, AND ANCILLARY SERVICES DURING THE INTERMEDIATE IMPLEMENTATION STEP OF THIRD-PARTY DEMAND RESPONSE DIRECT PARTICIPATION**

**Summary**

This decision adopts the following budgets to immediately begin to implement day-ahead, real-time and ancillary services during the intermediate implementation step of third-party demand response direct participation in the California Independent System Operators market: \$5.4 million for Pacific Gas and Electric Company, \$2.3 million for San Diego Gas and Electric Company, and \$1.254 million for Southern California Edison Company (SCE) (jointly, the Applicants). The Applicants are authorized to use the click-through electronic signature process for verifying customer identity and authorization to release data. SCE is authorized to allow but shall not require customers to use its Green Button Connect Approach to enroll in demand response direct participation. Furthermore, the Applicants are directed to hold meetings with Energy Division and interested stakeholders to continue to work toward simplifying the direct participation enrollment process. Lastly, this decision approves a process to authorize future increases in the number of customer registrations a utility shall develop the capability to support and related cost recovery for the intermediate step of third-party demand response direct participation. This proceeding is closed.

**1. Procedural Background**

On March 26, 2015, the Commission approved Decision (D.) 15-03-042, which approved cost recovery by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (jointly, the Applicants) for the implementation of an initial step

of third-party direct participation of demand response providers in the California Independent System Operator's (CAISO) energy markets. A key role of each Applicant in third-party direct participation is to provide customer usage data to the third-party demand response providers in order to settle transactions with the CAISO. For each customer that participates with a demand response provider, the Applicants must create an individual customer registration so that usage data is tracked and processed. The Commission established the number of customer registrations for each Applicant to target during the initial implementation step: 7,000 for SDG&E, 10,000 for PG&E and 14,000 for SCE. The Commission noted that the target should be a dynamic ceiling that should rise over time and not be reached. While the decision required the Applicants to provide ancillary, real-time and day-ahead services, the record in the proceeding only contained budgets for day-ahead services. A subsequent decision, D.16-03-008, approved budgets for the ancillary and real-time services for the initial implementation step.

In order to address subsequent steps of third-party demand response direct participation, the Commission directed the Applicants to file comments seven months after the issuance of D.15-03-042 recommending the number of participants to target in the intermediate step, the services to be included and the data that should trigger moving to the intermediate step. Additionally, the Commission directed that it is the responsibility of the Applicants to inform the Commission within six months if any of the Applicants anticipate reaching the target customer registrations established by D.15-03-042. The six-month window should ensure ample time to increase the target and provide cost recovery to increase the target. The Commission noted that this process would be fine-tuned in the second phase.

On November 30, 2015, each of the Applicants complied with D.15-03-042 and filed comments regarding the metrics for the intermediate step of direct participation. Subsequently, on December 8, 2015, PG&E filed a notice informing the Commission it could potentially exceed Rule 24 customer registration targets for the initial implementation step.

The assigned Administrative Law Judge held a prehearing conference on February 6, 2016 to discuss the scope and schedule for the intermediate implementation step. During the prehearing conference, PG&E expressed an urgency to address the intermediate implementation step. A Joint Assigned Commissioner and Administrative Law Judge Ruling and Revised Scoping Memo for Phase Two, issued on February 10, 2016, conveyed this urgency through an efficient but accelerated schedule. The schedule allowed for both a workshop and evidentiary hearings, if necessary. Following the March 7, 2016 workshop (March Workshop) and a subsequently filed March Workshop Report, the Administrative Law Judge issued a Ruling directing that motions requesting evidentiary hearings be filed; no party requested evidentiary hearings. Hence, hearings were not held. Briefs were filed on April 1, 2016 and reply briefs were filed on April 8, 2016.

## **2. Overview of Applicants' Intermediate Implementation Step Proposals and Budgets**

Table 1 provides an overview of each of the Applicant's proposals for the intermediate step of third-party demand response direct participation. The table was originally provided by the Applicants prior to the March Workshop, pursuant to a March 4, 2016 Ruling. During the March Workshop, the Applicants presented and explained the contents of the table; parties were provided an opportunity to ask questions and discuss the contents of the table.

**TABLE 1**  
**Comparison Table for PG&E, SCE, and SDG&E February 29, 2016 Testimony served in A.14-06-001 et al.**

	PG&E	SCE	SDG&E
<b>Proposed services</b>	Day-Ahead Energy (Ancillary Services and Real Time Energy are provided under the PD for 10,000 Registrations)	Day-Ahead Energy, Real Time Energy, Ancillary Services	Day-Ahead Energy, Real Time Energy, Ancillary Services
<b>Proposed number of registrations to target</b>	2016 - 30,000 2017 - 40,000	28,000	28,000
<b>Proposed number of assumed request forms</b>	2016 - 150,000 2017 - 200,000	280,000	140,000
<b>Proposed timelines</b>	Immediate need DRRS upgrade, DRAM 2 customers (starting mid-2016)	Advance to Intermediate Step 6 months after meeting or expecting to meet the goals of the Initial Step	12 months from decision issuance
<b>Proposed budgets</b>	\$5,733,150	\$138,932	\$2,221,600
<b>Proposed number of assumed meter reprogramming</b>	2016 - 22,500 2017 - 30,000 Residential Meters	Zero additional meters, as AS/RT PD contemplates funding for 70,000 meters	Zero additional meters, as AS/RT PD contemplates funding for 35,000 meters
<b>Who pays for meter reprogramming to 15-minute meter intervals</b>	Ratepayers pay for residential meters within the 40,000 Registrations	Ratepayers	Ratepayers
<b>Budget if ratepayers pay for reprogramming</b>	\$5,733,150	\$138,932	\$2,221,600
<b>Budget if ratepayers don't pay for reprogramming</b>	\$4,476,150	\$138,932	\$2,221,600

### **3. Issues to be Determined in This Decision**

The Scoping Memo for this phase of the proceeding described five issues for this proceeding. For each of the Applicants, the Commission will determine whether the applications are reasonable in terms of: 1) the proposed number of customer registrations to target; 2) the proposed activities and timelines; and 3) the proposed budget. This phase of the proceeding will also determine whether the Commission should develop and adopt a process to streamline the authorization of subsequent implementation steps or customer registration target numbers, not including mass market implementation and, if the Commission should adopt such a process, what should that process entail. In comments to the proposed decision, SCE underscored the fact that the role of the Applicants is not to target or market to customers but rather that is the role of the third party demand response provider. We agree. The Applicants will instead be directed to develop the capabilities to support a certain number of customer registrations in the CAISO market.

We also clarify what is not in the scope of this proceeding. The Commission recognizes the relationship between this proceeding and the demand response auction mechanism pilots authorized and implemented in Rulemaking 13-09-011. In briefs, several parties highlighted the importance of this proceeding and its effect on the success of the auction pilots.<sup>1</sup> The Commission recognizes the potential impact of the timing of this proceeding; hence, the urgency in providing an outcome for the direct participation

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<sup>1</sup> See Opening Briefs of Joint Demand Response Providers at 11-21; ORA at 6, 8-9; and OhmConnect at 2. See also Reply Briefs of Joint Demand Response Providers at 10-12; OhmConnect at 6-7; PG&E at 4-5 and 6-7; and SCE at 5-6.

intermediate implementation step. However, some parties have requested that the Commission make determinations on issues related to the second auction pilot. We clarify that issues related to the specifics of the demand response auction mechanism pilot, e.g. revising the schedule for the second auction pilot, while related to this proceeding, are not in the scope of this proceeding and are not addressed in this decision.

#### **4. Discussion**

##### **4.1. Reasonableness of Proposals: PG&E's Application**

For reasons described below, we approve PG&E's proposal and cost recovery budget to support an intermediate step for third-party demand response direct participation in the CAISO day-ahead, ancillary services, and real-time markets, as follows:

- PG&E shall develop capability to support an additional 30,000 customer registrations in the CAISO market;
- PG&E's approved activities include the following: a) the hiring of five additional full time employees to process the additional customer information service request – demand response provider forms (Request Forms) and to manage the ongoing work; b) the continuance of a contract with a vendor to organize the data in the Request Forms that can be accepted by PG&E's system; c) Information Technology (IT) enhancements to expand the use of current systems and processes and complete Request Form revocations and updates; d) the purchase of additional Request Form data storage space; e) the Reprogramming of Meters for the additional 30,000 customer registrations; f) the ability for PG&E's systems to communicate with the CAISO's systems;
- PG&E is authorized a budget of \$5.4 million in 2016 and 2017 funds to be recorded to the Demand Response Expenditure Balancing Account and placed into rates through the Distribution Revenue Adjustment Mechanism and annual Electric True-Up



Mechanism. Recovery shall be from all electric distribution customers, consistent with D.15-03-042.

- PG&E, SDG&E, and SCE are each authorized to use the click-through process for electronic signatures. We find that this electronic customer authorization process complies with Commission regulations – including Electric Rules 25, 27, and 33 – as well as other relevant Federal and California law, and simplifies the enrollment process for customers.<sup>2</sup> PG&E's proposal to use a third-party site to validate customer executive of the Request Form is not efficient and is denied, along with the additional verification letter. Furthermore, as described below, the Applicants shall hold a meeting with Energy Division and other stakeholders to continue discussion on this and related matters; and
- PG&E shall begin implementation immediately and strive to complete the process by the end of 2016 but no later than March 17, 2017, the required deadline for implementing ancillary and real-time services pursuant to D.16-03-008.

PG&E states that the scope of work and estimated costs, as described in its testimony, are entirely to support third party demand response provider registration and the use of PG&E retail customers for direct participation in the CAISO market for day-ahead, ancillary services, and/or real-time energy products.<sup>3</sup> PG&E asserts that 40,000 customer registrations allows for sufficient registrations to support third parties with demand response auction mechanism contracts in the 2017 auction pilot as well as possible non-auction registration

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<sup>2</sup> Electric rules 25 (SCE), 27 (PG&E) and 33 (SDG&E) refer to the Commission requirements that the three utilities must comply with in order to ensure customer data privacy. Throughout this decision, any reference to any one of these rules applies to all three rules.

<sup>3</sup> PG&E Opening Briefs at 5.

requests.<sup>4</sup> PG&E contends that its testimony details and explanations for the scope of work and estimated costs are indicative of the thorough and careful work in the recommendations.<sup>5</sup> PG&E maintains that no one has protested its proposed number of customer registrations, the scope of work, or estimated costs.

ORA supports PG&E's proposal as reasonable "because it provides opportunity to increase registrations relative to the expected participation" of both the auction pilots and non-auction participation by third party demand response providers.<sup>6</sup> Furthermore, ORA does not object to PG&E's proposed budget for the Intermediate implementation step.<sup>7</sup> However, ORA notes that the cost differences between PG&E and the other Applicants are alarming. Hence, ORA requests that PG&E be required to achieve similar technological capabilities as the other two Applicants. In both D.16-03-008 and D.15-03-042, the Commission acknowledged that the Applicants are at different technological capabilities that may require differing budgets.<sup>8</sup> We find that remains true for now. However, given the amount of funding that PG&E has received relative to the other two Applicants, we expect PG&E's technological gap to have greatly diminished with the funding from D.15-03-042, D.16-03-008 and this Decision. Hence, we approve PG&E's proposal but with two modifications as described below. We authorize cost recovery of \$5.4 million.

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<sup>4</sup> *Id.* at 6.

<sup>5</sup> *Ibid.*

<sup>6</sup> ORA Opening Brief at 10.

<sup>7</sup> *Ibid.*

<sup>8</sup> D.16-03-008 at 23 and D.15-03-042 at 41-42, 47 and Finding of Fact No. 31.

Parties' only objection to PG&E's proposal is its proposed use of a notification letter to validate customer execution of Request Forms.<sup>9</sup> PG&E states that it has agreed to use certain forms of electronic signature "provided that an electronic PDF<sup>10</sup> of the customer's executed Request Form is uploaded to PG&E."<sup>11</sup> PG&E explains that Commission-required verification of the customer's signature can be achieved if PG&E sends notice to the customer, upon receiving a Request Form, that PG&E has received the form and will proceed to release the customer's information unless otherwise notified.<sup>12</sup> SDG&E has proposed a similar process on a temporary basis; hence, we address all electronic signature concerns here.

OhmConnect and Joint Demand Response Parties argue that the DocuSign process recommended by PG&E is cumbersome and request that the Applicants allow the use of a "click-through" process.<sup>13</sup> The click-through process is a process by which to collect electronic signatures and is used by a majority of e-commerce customers to accept legal terms for online services and purchases.<sup>14</sup> For the purposes of third-party demand response direct participation, the

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<sup>9</sup> Joint Demand Response Parties Opening Brief at 6-9 and OhmConnect Opening Brief at 4-5.

<sup>10</sup> Portable Document Format (PDF) is a file format used to present and exchange documents reliably, independent of software, hardware, or operating system.

<sup>11</sup> PG&E Opening Brief at 8. PG&E maintains that this process had not been agreed to before the approval of the Initial Implementation step, hence the costs to implement this process in both the initial and intermediate steps are included in the intermediate implementation step budget.

<sup>12</sup> *Ibid.*

<sup>13</sup> Joint Demand Response Parties Opening Brief at 6-9 and OhmConnect Opening Brief at 4-5.

<sup>14</sup> Exhibit JDP-01 at 3.

click-through electronic signature process provides customer authorization for a utility to release the customer's data to a third-party.

OhmConnect asserts that it has experienced a decrease in the number of customers completing the enrollment process since beginning to use DocuSign and adds that EnergyHub has experienced a 38 percent decrease in enrollment.<sup>15</sup> The Joint Demand Response Parties argue that Federal and California law allow for e-signatures "via a click-through or checkbox on a form."<sup>16</sup> However, PG&E maintains that, while the click-through process may be legal under federal and state law, Electric Rule 27 prevents a utility from releasing customer information without the customer's prior written consent.<sup>17</sup> PG&E contends that the click-through methodology does not verify and authenticate a customer's signature and therefore is not in compliance with Electric Rule 27. PG&E further maintains that Commission authorization of the click-through process should exempt the Applicants from reporting data breaches because there is no way to know if there was a data breach without a means to verify that the consent came from the customer.

In response to PG&E's statement that the e-signature must provide reasonable assurances that the person completing the form is the person claimed, OhmConnect contends that the "very nature of the information requested on the Request Form provides the necessary reasonable assurance required by Electric Rule 27."<sup>18</sup> OhmConnect and the Joint Demand Response Parties further assert

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<sup>15</sup> OhmConnect Opening Brief at 4-5.

<sup>16</sup> Joint Demand Response Parties Opening Brief at 7.

<sup>17</sup> PG&E Reply Brief at 2-3.

<sup>18</sup> OhmConnect Opening Brief at 5.

that a click-through process makes the authorization form available to the customer and allows the Utilities to keep copies of customer-executed Request Forms, and therefore is in compliance with Electric Rule 27.<sup>19</sup>

We find that the click-through electronic signature process meets the requirements of Electric Rule 25, 27, and 33 because 1) the customer's consent is specific, in that it is for the specific purpose of receiving a demand response service, and 2) the consent is express, in that it provides reasonable verification that the customer completed the form.<sup>20</sup> We authorize the Applicants to use the click-through electronic signature process and deny the request by PG&E to exempt the Applicants from reporting data breaches because customer consent is verifiable. In order to ensure customer privacy and compliance with privacy rules, we require that the click-through electronic signature process 1) clearly indicates the customer is authorizing the sharing of their energy usage data with the third-party demand response provider and/or aggregator, and 2) provides immediate access by the customer and the utility to a copy of the Request Form and the electronically signed agreement.

Furthermore, we deny the request by PG&E to require demand response providers to access a third party verification vendor, e.g., DocuSign. Accordingly, PG&E's recommendation of an additional step of a verification letter is unnecessary and is denied. Hence, we decrease PG&E's requested budget by \$300,000.

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<sup>19</sup> OhmConnect Reply Brief at 3 and Joint Demand Response Parties Opening Brief at 8.

<sup>20</sup> The nature of the information requested, e.g., the service account number, address, and name demonstrates that the customer completed the form and the form is able to be stored or printed and is available to the customer and utility upon execution.

As previously stated, we authorize a budget of \$5.4 million for PG&E to implement the intermediate step of direct participation. In comments to the proposed decision, PG&E restates its request for the Commission to authorize it to record the approved funding in the Demand Response Registration System during 2016 and 2017 to coincide with the time costs are incurred.<sup>21</sup> PG&E also requests that the Commission authorize PG&E to carry-over \$5.4 million of unspent, uncommitted 2015-2016 funds to cover the costs of the intermediate implementation steps, which requires the Commission to permit a waiver of the fund shifting rules from D.12-04-045.<sup>22</sup> No party presented any opposition to this request.

We reiterate that PG&E is authorized a budget of \$5.4 million to implement the intermediate step of direct participation. We consider this to be incremental funding. We direct that PG&E shall record these costs in the Demand Response Expenditures Balancing Account during 2016 and 2017 to coincide with the time the costs are incurred. We deny the request to carry over unspent funds from prior program years or to allow for a waiver of the fund shifting rules.

In comments to the proposed decision, SCE and SDG&E request the Commission to clarify that end-use customers must complete the Request Form, not a third-party on behalf of the customer.<sup>23</sup> Both argue that the privacy rules require the customer to complete the form. The Joint Demand Response Parties

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<sup>21</sup> PG&E Opening Comments on Proposed Decision, May 24, 2016 at 12.

<sup>22</sup> See also PGE-04 at 28.

<sup>23</sup> SCE Opening Comments on Proposed Decision, May 24, 2016 at 3 and SDG&E Opening Comments on Proposed Decision, May 24, 2016 at 3.

contend that assisting the customer by pre-populating the Request Form does not violate the privacy rules but rather eliminates duplication of effort by the customer who has previously provided certain information to its demand response provider.<sup>24</sup>

We find that it is not necessary for the customer to complete the entire Request Form, as the customer is required to review the form prior to approval through the click-through electronic signature process. The click-through process confirms a customer's review of the contents of the Request Form and provides a customer's final authorization to share its usage data with the demand response provider. The click-through process also provides confirmation that the customer has reviewed and agrees to the legal terms provided. As previously stated, the click-through process also provides for customer and utility access to a copy of the Request Form and the click-through process agreement. Hence, we require that the click-through process for electronic signatures begins and ends on the third-party demand response providers' website to limit customer confusion. Lastly, we address PG&E's proposed timeline. PG&E states that it will work diligently on intermediate implementation but completion is expected to take up to twelve months from issuance of this decision. PG&E states that upon approval of cost recovery, PG&E could begin ramping up volumes within a couple of months as resources are on-boarded; system changes need to be scoped, designed, and built.<sup>25</sup>

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<sup>24</sup> Joint Demand Response Parties Reply Comments at 3.

<sup>25</sup> PG&E Opening Brief at 14 citing PGE-06.

PG&E and other parties have expressed a sense of urgency in resolving this proceeding. However, PG&E's statement that it "could begin...within a couple of months" does not indicate the level of urgency that PG&E expressed in its December 8, 2015 filing or during the prehearing conference for this proceeding. Furthermore, we remind PG&E that this is the intermediate implementation step. System changes should have been "scoped" and "designed" in the initial implementation step as well as in PG&E's preparation of its proposal for the intermediate implementation step. We find a 12-month implementation timeline unreasonable. We direct PG&E to begin implementation of the intermediate implementation step immediately upon issuance of this decision and strive to complete the process by the end of 2016, but no later than the end of February 2017.

**4.1.1. Reasonableness of Proposals:  
SDG&E's Application**

As described below, we approve SDG&E's proposal and cost recovery budget to support an intermediate step for third-party demand response direct participation in the CAISO day-ahead, ancillary services, and real-time markets, as follows:

- SDG&E shall develop capability to support an additional 23,000 customer registrations for a total of 30,000 customer registrations in the CAISO market;
- SDG&E's approved activities include the following: a) proposed enhancements to the SDG&E demand response management system to increase automation, to include the continuation of its contract with a third-party IT service provider, associated maintenance and service fees charged by the service provider, and license fees to support up to 30,000 accounts and also includes improvements to allow the system to interface with other SDG&E systems; b) enhancements to its Customer Energy Network to automate data processing; c) upgrades to SDG&E



- MyAccount Portal to support Request Form automation;
- d) implementation of a central and automated web-based platform for customers and third parties to submit and manage authorizations using electric signatures; and e) improvements to the manual Request Form process to increase efficiency and decrease processing time;
- SDG&E shall begin implementation immediately with completion of the process by the end of February 2017;
  - SDG&E is authorized a budget cap of \$ 2.3 million in 2017 funds. Consistent with D.15-03-042, SDG&E should recover the rates through the direct participation demand response memorandum account.<sup>26</sup> Costs shall be allocated to all distribution customers; and
  - As discussed above, SDG&E is authorized to use the click-through process for electronic signatures. Therefore, SDG&E's proposal to use a third-party vendor to validate electronic signatures is denied.

For the Intermediate Implementation step, SDG&E requests the Commission to approve a customer registration number of 28,000, four times of that approved for the initial implementation step. SDG&E states that the size of the request is dually dependent on 1) the need to automate the direct participation registration process in order to support more than the current 7,000 customer registrations and 2) the desire for a measured and cost-effective approach instead of a costly, piecemeal approach.<sup>27</sup> SDG&E divides its anticipated costs into four categories<sup>28</sup> and explains that the costs for each of

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<sup>26</sup> D.15-03-042 at 50.

<sup>27</sup> SDG&E Opening Brief at 3.

<sup>28</sup> The four categories are: (1) demand response management system; (2) customer energy network – Green Button; (3) MyAccount; and (4) SDG&E Portal/Manual Support.

these categories are the same whether the Commission approves 14,000 customer registrations or 28,000 registrations.

ORA supports SDG&E's request and budget but recommends that the Commission increase the number of registrations to 30,000. ORA highlights SDG&E statement that the demand response management system license and maintenance and services fees are tiered in 30,000 customer increments.<sup>29</sup> ORA claims that the other three cost categories are not bound by the account tier and can support more customers. SDG&E agrees that its costs for supporting 30,000 customer registrations is the same as its costs for targeting 28,000 registrations based, in part, on the fact the demand response management system contract, license and maintenance and service fees are tiered by the number of registered accounts and the first tier supports up to 30,000 accounts. SDG&E does not oppose increasing the number of customer registrations it can support from 28,000 to 30,000.<sup>30</sup> We find it reasonable to adopt 30,000 customer registrations for SDG&E to develop capability to support, based on the same system costs for 14,000 or 28,000 customer registrations and SDG&E's costs for 28,000 customer registrations being the same as 30,000 customer registrations.

Lastly, we address SDG&E's proposed timeline of one year to implement the intermediate implementation step. SDG&E contends that the automation proposal impacts four systems and its plan is to complete the enhancement of the systems concurrently over the 12 months following the issuance of this decision.

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<sup>29</sup> ORA Opening Brief at 7.

<sup>30</sup> SDG&E Reply Brief at 2.

SDG&E provides no breakdown of this timeline and no justification as to why the timeline is a full year.

No party opposes the timeline. However, parties have expressed a concern that the intermediate implementation step be in place for the second auction pilot, most notably in the case of PG&E.<sup>31</sup> We agree that the intermediate implementation step should be ready for the second auction pilot. We therefore adopt a timeline of nine months; SDG&E shall complete the implementation of the intermediate implementation step by the end of February 2017.<sup>32</sup>

No other party contests any other portion of SDG&E's proposal, except as previously referenced in the electronic signature discussion above. Hence, we find it reasonable to adopt SDG&E's proposal with a nine-month timeline and an increase in the number of customer registrations to 30,000. We authorize a budget cap of \$2.3 million in 2017 funds to be recovered through the direct participation demand response memorandum account, with costs allocated to all distribution customers.

#### **4.1.2. Reasonableness of Proposals: SCE's Application**

For reasons described below, we approve SCE's proposal and cost recovery budget to support an intermediate step for third-party demand response direct participation in the CAISO day-ahead, ancillary services, and real-time markets, as follows:

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<sup>31</sup> See Prehearing Transcript at 102 – 104, 112-114, 117, and 123-124.

<sup>32</sup> In comments to the proposed decision, SDG&E continues to advocate for a twelve-month implementation timeline, but provides not additional justification for this length of time. See SDG&E Opening Comments to Proposed Decision, May 24, 2016 at 5-6.

- SCE shall develop the capability to support a total of 42,000 customer registrations in the CAISO market;
- SCE is authorized to allow, but not require, its customers to submit Request Forms through the SCE Green Button Connect system;
- As discussed above, SCE is authorized to use the click-through electronic signature process to enable a customer, not using the Green Button Connect approach, to authorize the release of their usage data to third party providers;
- SCE, along with PG&E and SDG&E, shall work with the Commission's Energy Division and third-party demand response providers to determine how to improve the third-party demand response direct participation enrollment process including enabling connection between the Applicants' enrollment systems, such as the Green Button Connect, and third-party providers enrollment systems;
- SCE is authorized a budget of \$1.2 million in previously approved funds in D.14-05-025; and
- SCE shall begin implementation immediately and complete the process within its proposed six-month timeline.

SCE requests the Commission to approve a customer registration cap of 28,000. SCE asserts this number of customer registrations allows for an increase in the opportunities for direct participation while supporting the cautious but deliberate approach adopted by the Commission. SCE contends that further investment in IT upgrades are unwarranted at this time but requests that the Commission authorize it to require its direct participation customers to use the SCE Green Button Connect to submit Request Forms. SCE claims that this

approach will save over \$2.6 million compared to the hybrid use of the Green Button Connect and the paper Request Forms.<sup>33</sup>

Joint Demand Response Parties oppose the required use of the Green Button Connect claiming that it creates customer enrollment problems and results in a loss of customers completing the enrollment process.<sup>34</sup> Joint Demand Response Parties contend that the Green Button Connect is not a practical solution for the auction pilots or any other demand response program and suggest that SCE use a system where the demand response provider or aggregator electronically submits its customer enrollments to SCE.<sup>35</sup> Joint Demand Response Parties compares its recommended approach to SCE's Bring Your Own Thermostat program where aggregators provide the date and time of each customer's acceptance of the program's approved contract terms but not the form itself as part of the enrollment records.<sup>36</sup> Joint Demand Response Parties assert its recommended approach will provide the customer a seamless enrollment process.<sup>37</sup> In response, SCE maintains that the Joint Demand Response Parties' proposal will require SCE to manually extract the data and send it to the providers, requiring additional labor costs.<sup>38</sup>

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<sup>33</sup> SCE Opening Brief at 4 citing SCE-03 at 9 and 11-12.

<sup>34</sup> Joint Demand Response Parties claim that aggregators lose customers who have not signed up for an online account, do not remember their user identification or password, or are confused or fatigued by the process steps. See Joint Demand Response Parties Opening Brief at 9.

<sup>35</sup> Joint Demand Response Parties Opening Brief at 9-10.

<sup>36</sup> JDP-1 at 5.

<sup>37</sup> *Id.* at 10.

<sup>38</sup> SCE Reply Brief at 4.

ORA supports SCE's request that the Commission authorize SCE to make the Green Button Connect approach a requirement for direct participation customers, underscoring the cost savings compared to the manual Request Form process.<sup>39</sup> ORA contends the Green Button Connect approach speeds up the process and provides an efficient link between SCE, the customer, the provider or aggregator, as well as the customer's data.<sup>40</sup> ORA asserts that the customer enrollment problems should be addressed by the demand response provider or aggregator. Furthermore, ORA recommends that the Commission authorize SCE to require this approach and allow SCE to increase its support capability to 56,000 customer registrations.<sup>41</sup>

We find that SCE's proposal to require the exclusive use of its Green Button Connect is not reasonable as it requires enrollment solely through the SCE Green Button portal.<sup>42</sup> While, exclusive use of the Green Button Connect is seemingly cost-effective and provides an automated link between the customer, the provider or aggregator and SCE, its use would require a direct participation customer to enroll twice, once with a third-party provider and once with SCE.

In determining the best approach to adopt, the Commission must weigh the costs and benefits of the ratepayers, the direct participation customers, and

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<sup>39</sup> ORA Opening Brief at 3.

<sup>40</sup> *Id.* at 4.

<sup>41</sup> ORA Opening Brief at 4.

<sup>42</sup> In SCE's Reply Brief at 4, SCE states that the enrollment and data transfer processes are one and the same in the Green Button Connect. Furthermore, SCE states that the "only way data can be automatically transferred through Green Button Connect is for a customer enrollment to be processed through Green Button Connect. Any other enrollment method requires an SCE employee to manually extract the data and send the data to the demand response provider."

the providers. We find the Green Button Connect approach provides benefits to ratepayers, as this approach is cost-efficient. We also recognize that the enrollment problems asserted by the aggregators are a cost to the aggregators and demand response providers in that they pose the possibility of customer loss. We find that issues of forgetting a password or not yet having an online account are issues that should be easily remedied by proper education, with the responsibility falling on the demand response provider or aggregator. However, in regards to the issue of enrollment fatigue, we also recognize this as a cost to both the customer (in time) and the provider (in potential customer enrollment loss.). In weighing these costs and the benefits of participating in direct participation, we find that a hybrid approach of allowing but not requiring the Green Button Connect is currently the most efficient, in terms of costs and benefits. We treat this as a trial approach. Parties may pursue alternate approaches in future demand response applications with adequate data and justification. Accordingly, we authorize but do not require SCE to use the Green Button Connect for enrollment. Because this is a hybrid approach, we are hesitant to approve the high-range number of 56,000 customer registrations as proposed by ORA; we instead adopt the mid-range number of 42,000 customer registrations for SCE to develop the capability to support.<sup>43</sup>

We authorize a budget of \$1.254 million for SCE to cover the costs of implementing the intermediate step with a hybrid approach of using the Green Button Connect and anticipating that half of the 42,000 customer registrations will utilize the manual approach. SCE proposes to use existing funds from

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<sup>43</sup> SCE-03 at 12.

Decision 14-05-015. However, if sufficient funds are not available, SCE may file an advice letter at a later date to propose proper cost recovery, up to the authorized amount of \$1.254 million.

No party addressed any other issues with SCE's proposal. We previously addressed the issue of timelines in our discussion on PG&E and SDG&E's proposals. We reiterate here that SCE shall implement its proposal immediately upon issuance of this decision and within the six month timeline as proposed.

We recognize that the direct participation enrollment process is an evolving one that can and should be improved. Hence, we direct the Applicants to host one or more meetings with the Commission's Energy Division, the parties and other stakeholders to address ways to streamline and simplify the enrollment process including adding more automation and mitigating enrollment fatigue. Parties should attempt to identify unnecessary steps in the enrollment process and determine options to eliminate these steps. Parties should also discuss approaches to coordinate the Applicants' enrollment systems with those of the providers and/or aggregators and address any remaining issues with electronic signatures.

The Applicants shall hold this meeting no later than 45 days after the issuance of this decision. The Applicants shall work with the Energy Division to notice the meeting on the Commission's Daily Calendar. A consensus proposal shall be filed via a Tier 3 Advice Letter, no later than November 1, 2016. Additional funds may be requested to implement necessary changes, within the parameters discussed below in section 5 of this decision.

Lastly, we take this opportunity to reiterate that the customer registration number has never been a cap but rather a number to strive for, within the authorized budget. Furthermore, the Applicants have been instructed to provide



the Commission with a 6-month notice if an Applicant anticipates reaching that number. In D.15-03-042, the Commission stated “these targets should be dynamic ceilings that will rise over time and should NOT be reached.” We stated at that time that the six-month window should ensure ample time to increase the target but noted that we would fine-tune this process in the second phase of this proceeding. The second phase of this proceeding has shown us that six months is not sufficient time. Hence, we adopt a more stream-lined process for subsequent steps, as discussed in the next section of this decision. Accordingly, we remove the six-month notice requirement in D.15-03-042, as the stream-lined process described below negates the need for the notice.

## **5. Increasing Participation Numbers Beyond the Intermediate Implementation Step**

The Applicants are authorized to request increases in the number of customer registrations they are capable of supporting through a Tier 1 advice letter, if no additional funding is requested. If additional funding is needed, Applicants are directed to request funding in their next demand response program application, up to mass market implementation. The Applicants may file a joint application requesting mass market implementation of demand response direct participation, only if directed to do so by a demand response application decision. We discuss these instructions in detail below.

Parties were asked to provide recommendations to streamline the process for the future implementation steps of third-party demand response direct participation. Parties were instructed that recommendations should not include the implementation of mass market direct participation, as D.15-03-042 dictated that ‘if the participation level rises to an appropriate level, we will direct the

Applicants to file a new application for the implementation of large scale demand response direct participation.”<sup>44</sup>

No party objected to a future streamlined process for approving increases in customer registrations or cost recovery. Several options were recommended by parties including the use of a Tier 1 Advice Letter (if Applicants request to increase the number of customer registrations and not funding),<sup>45</sup> Tier 2 and 3 Advice Letters (if Applicants request to increase registrations and funding),<sup>46</sup> continue the same process,<sup>47</sup> or consolidate future third-party direct participation funding requests with the demand response program applications.<sup>48</sup> Other recommendations include the use of pre-filing stakeholder meetings, where any of the Applicants could share a proposed advice letter to get feedback from stakeholders to ensure a smoother filing and approval process.<sup>49</sup> PG&E suggests that any adopted streamline approach be aligned with future auctions or auction pilots.<sup>50</sup>

We find it reasonable to adopt the use of a Tier 1 advice letter process, whereby an Applicant can request to increase the number of customer registrations it can support with no additional funding. As the Commission has said previously, the number of customer registrations should be dynamic and

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<sup>44</sup> D.15-03-042 at 23.

<sup>45</sup> See SCE Opening Brief at 5 and ORA Opening Brief at 14.

<sup>46</sup> See ORA Opening Brief at 13, PG&E Opening Brief at 16-17, and SCE Opening Brief at 5.

<sup>47</sup> See SDG&E Opening Brief at 11.

<sup>48</sup> *Ibid.*

<sup>49</sup> ORA Opening Brief at 13.

<sup>50</sup> PG&E Opening Brief at 15-16.

never reached. Allowing the Applicants to increase the number of customer registrations it can support, with no additional funding requested, through a Tier 1 advice letter is efficient.

We also find it efficient to consolidate future funding for the third party demand response direct participation with the demand response program application process. This will allow the implementation of future customer registration increases to be aligned with future auction mechanisms, if the Commission approves such mechanisms. However, we are concerned that customer registration numbers may grow rapidly prior to a final decision in the 2018 demand response application process. Hence, we allow an interim Advice Letter process for the Applicants to request additional funding to cover the implementation costs of increasing customer participation in the CAISO market.

If one or more of the Applicants determine a need to increase the customer registration numbers and require additional funding prior to a final decision in the 2018 demand response application process, the Applicants should adhere to the following requirements. First, the Applicant(s) shall notify, via email, the A.14-06-001 et al. service list of the alleged need to request funding prior to the completion of the 2018 demand response application process. The Applicant(s) shall host a meeting to inform parties of the specifics of the request. A Tier 3 Advice Letter shall be filed requesting the funding with a cap of the total funding previously requested in this proceeding for each of the Applicants (\$10.39 million for PG&E, \$4.9 million for SDG&E and \$3.2 million for SCE). The Applicants may use this interim method until 2018 demand response applications are approved. Beginning with the 2018 demand response application process, the Applicants shall request all future cost recovery for

third-party demand response direct participation implementation in their demand response program applications. Further details and instructions shall be determined through the 2018 demand response application process.

In discussing the issue of increasing customer registration numbers, PG&E notes that it does not know with certainty what the tipping point for large scale automation will be. PG&E underscores that the expansion of existing systems will require additional time, resources, and costs. Hence, we require that any request for increased funding associated with increased customer registrations should address the issue of whether the increase should be considered large scale, mass market implementation. If the Commission determines that large scale, mass market implementation is necessary a separate application by the Applicant shall be required, as previously directed by the Commission in D.15-03-042.

## **6. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge Kelly A. Hymes in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on May 24, 2016 by the Joint Demand Response Parties, ORA, PG&E, SDG&E and SCE, and reply comments were filed on May 31, 2016 by the Joint Demand Response Parties, PG&E, SDG&E, and SCE. ORA filed an amendment to its opening comments on June 1, 2016. In response to the comments on the proposed decision, corrections and clarifications have been made throughout this decision. We specifically address some of the comments below.

SCE suggests that the Commission revise the use of the term "target" in the ordering paragraphs. SCE contends that the Applicants do not "target"

customers to register for demand response participation, rather this is the role of the third-party providers that aggregate customers' demand response load and bid it into the CAISO market. We agree and have made this adjustment.

However, we underscore that while targeting or marketing to customers is, indeed, the role of the third-party demand response providers, the Applicants are tasked with supporting this role and ensuring that they generate no barriers to the targeting of customers. The Commission considers third-party demand response direct participation to be a team effort between the Commission, the Applicants and the third-party providers.

## **7. Assignment of Proceeding**

Michel Peter Florio is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. The Commission has acknowledged previously that the Applicants in this proceeding are at different technological capabilities requiring different solutions and different budgets.
2. The Applicants remain at different technological capabilities requiring different solutions and different budgets, for now.
3. No party opposes PG&E's proposal to support 40,000 customer registrations or its estimated costs.
4. Parties' only objection to PG&E's proposal is the use of a notification letter to validate customer execution of the Request Form.
5. The third-party demand response providers' proposed click-through process provides the authorization form to the customer and the Request Form to the utility.

6. The third-party demand response providers' proposed click-through process provides reasonable verification of the customer's signature.

7. There are several remaining issues for the Applicants and stakeholders to resolve issues regarding electronic signatures.

8. PG&E and other parties have expressed a sense of urgency in adopting an intermediate implementation step.

9. PG&E's statement that "upon approval...it could begin...within a couple of months" does not equate to a sense of urgency.

10. System changes should have been scoped and designed during the initial implementation step and during the preparation of the intermediate implementation step proposal.

11. A 12-month implementation timeline for PG&E is not reasonable.

12. Estimated SDG&E costs for supporting 14,000 customer registrations are equal to costs for supporting 28,000 registrations.

13. In the case of SDG&E, the demand response management system contract license and maintenance and service fees are tiered by the number of registered accounts and the first tier supports up to 30,000 accounts.

14. Estimated SDG&E costs for supporting 30,000 customer registrations is the same as costs for supporting 28,000 registrations.

15. The only opposition to SDG&E's proposal is its temporary solution to electronic signatures.

16. The intermediate implementation step should be completed to allow use by the second auction pilot.

17. It is reasonable to adopt a timeline of nine months for SDG&E to complete the intermediate implementation step.

18. The Commission must balance the costs and benefits of the ratepayers, the direct participation customers and the providers or aggregators.

19. The Joint Demand Response Parties alternate proposal to the Green Button Approach requires a manual process and an additional labor expense.

20. The Green Button Approach is beneficial to ratepayers as it is a cost-effective approach to transferring data between the utility and authorized third party.

21. The Green Button Approach is beneficial to customers and providers as it can be implemented in six months.

22. The issue of enrollment fatigue is a cost to the customer, in terms of time.

23. The issue of enrollment fatigue is a cost to the provider, in terms of potential customer enrollment loss.

24. A hybrid approach of using but not requiring SCE customers to enroll via the Green Button Connect is currently the most efficient approach, in terms of costs and benefits.

25. SCE should work with the stakeholder to address concerns of enrollment fatigue.

26. Parties addressed no concern with SCE's proposal except for the issue of the use of the Green Button Connect.

27. Direct participation is an evolving process that can be improved.

28. The customer registration number should be dynamic and never reached.

29. Adopting a steam-lined approach for approving increases in the number of customer registrations negates the need for the six-month notice requirement directed in D.15-03-042.

30. Allowing the Applicants to increase the number of customer registrations it can support, with no additional requested funding, through a Tier 1 advice letter is efficient.

31. Consolidating future funding of third-party demand response direct participation with the demand response program application will allow future customer registration increases to be aligned with future auction mechanisms.

32. It is efficient to consolidate future third-party demand response direct participation funding with the demand response program application process.

33. Customer registration numbers may grow rapidly prior to a final decision in the 2018 demand response application process.

### **Conclusions of Law**

1. The Commission should allow different budgets for the three Applicants, for now.

2. The click-through process meets the requirements of Electric Rule 27.

3. The Commission should authorize the Applicants to use the click-through process for electric signatures.

4. PG&E should begin implementation of the intermediate implementation step immediately upon approval of this decision and complete the process no later than February 2017.

5. The Commission should adopt PG&E's proposal, as modified herein, for the intermediate implementation step and authorize its proposed budget.

6. SDG&E should develop the capability to support 30,000 customer registrations in the intermediate implementation step.

7. SDG&E should begin implementation of the intermediate implementation step immediately upon approval of this decision and complete the process by the end of February 2017.



8. The Commission should adopt SDG&E's proposal, as modified herein, for the intermediate implementation step and authorize its proposed budget.

9. The Commission should authorize but not require SCE to use its Green Button Connect approach to enrolling customers in third-party demand response direct participation.

10. SCE should develop the capability to support 42,000 customer registrations in the intermediate implementation step.

11. SCE should begin implementation of the intermediate implementation step immediately upon approval of this decision and complete the process within its six-month proposed timeline.

12. The Commission should adopt SCE's proposal, as modified herein, for the intermediate implementation step and authorize its proposed budget.

13. The Applicants should be required to continue to meet with other stakeholders to work toward simplifying the direct participation enrollment process, including issues regarding electronic signatures.

14. The Commission should adopt a Tier 1 Advice Letter process for future increases in the number of customer registrations a utility can support, with no increased funding.

15. The Commission should consolidate future third-party demand response direct participation funding with future demand response program application processes.

16. The Commission should adopt an interim process for approving funding for increasing participation in third party demand response direct participation, until the adoption of a 2018 and beyond demand response program budget.

## **O R D E R**

### **IT IS ORDERED** that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company are authorized to allow the use of a third-party demand response provider click-through electronic signature process to provide a demand response direct participation customer the means by which to verify and document the customer's consent to release its usage data to the third-party demand response provider. The click-through process shall provide immediate access, by both the customer and the utility, to a copy of the completed Customer Service Information Request Form and a time-stamped electronically signed agreement form. The click-through process shall begin and end on the third-party demand response provider.

2. Pacific Gas and Electric Company (PG&E) shall implement an intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market. PG&E shall develop the capability to support a total of 40,000 customer registrations in the California Independent System Operator market and begin implementation immediately with a completion deadline of March 17, 2017, pursuant to Decision 16-03-008.

3. Pacific Gas and Electric Company (PG&E) is authorized a budget of \$5.4 million to implement its intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market. PG&E shall record costs associated with the intermediate implementation step in

the Demand Response Expenditures Balancing Account during 2016 and 2017 to coincide with the time the costs are incurred.

4. San Diego Gas and Electric Company (SDG&E) shall implement an intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's (CAISO) market. SDG&E shall develop the capability to support a total of 30,000 customer registrations in the CAISO market and begin implementation immediately, with a completion deadline of February 28, 2017.

5. San Diego Gas and Electric Company is authorized a budget of \$2.3 million to implement its intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market.

6. Southern California Edison Company (SCE) shall implement an intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's (CAISO) market. SCE shall develop the capability to support a total of 42,000 customer registrations in the CAISO market and begin implementation immediately, with a completion deadline of six months from the date of this decision.

7. Southern California Edison Company is authorized a budget of \$1.254 million to implement its intermediate implementation step of third-party demand response direct participation to provide day-ahead, real-time and ancillary services in the California Independent System Operator's market.

8. Southern California Edison Company (SCE) is authorized but shall not require its customers to use the SCE Green Button Connect approach to enroll in

third-party demand response direct participation and consent to provide its usage data to a third-party aggregator or provider.

9. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) shall host one or more meeting(s) with all interested stakeholders, including the Commission's Energy Division to develop a consensus proposal to streamline and simplify the direct participation enrollment process, including adding more automation, mitigating enrollment fatigue, and resolving any remaining electronic signature issues. The Applicants shall hold the first meeting no later than 45 days from the issuance of this proceeding. The Applicants shall work with the Energy Division to notice the meeting on the Commission's Daily Calendar.

10. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) shall file the consensus proposal developed by the Applicants and stakeholders regarding the direct participation enrollment process. The consensus proposal shall be filed through a Tier 3 Advice Letter by the Applicants on behalf of the entire group, no later than November 1, 2016.

11. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) may request to increase the number of customer registrations it can support in the third-party demand response direct participation through a Tier 1 Advice Letter, if no additional funding is required.

12. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company may request additional cost recovery for advancements in the implementation of third party demand response direct

participation through demand response program applications, beginning with the 2018 demand response program year.

13. Prior to a final decision in the 2018 demand response application process, if Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (the Applicants) require additional funding for increasing customer participation registrations in the California Independent System Operators market, the Applicants may file a Tier 3 Advice Letter requesting to do so with the following guidelines:

- a. The Applicants may request up to the following budget caps: \$10.39 million for PG&E, \$4.9 million for SDG&E and \$3.2 million for SCE;
- b. The Applicants shall first notify the service list of Application 14-06-001 et al. of the proposed advice letter, prior to filing the advice letter; and
- c. The Applicants shall hold a meeting with the parties of Application 14-06-001 et al. to discuss the specifics of the proposed advice letter, prior to filing the advice letter.

14. Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Edison Company are hereby relieved of the requirement to notify the Commission within six months, if it anticipates reaching the approved number of customer registrations, as directed in Decision 15-03-042.

15. Applications (A.) 14-06-001, A.14-06-002, and A.14-06-003 are closed.

This order is effective today.

Dated June 9, 2016, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners